

December 15, 1999

EX PARTE

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**Re: Billing and Collection Services Provided by Local Exchange Carriers for  
Non-Subscribed Interexchange Services; RM-9108**

Dear Ms. Salas:

On November 30, 1999, Meg Milroy, Dean Grady, and Lori Wright of MCI WorldCom, along with other members of the industry, met with Larry Strickling, Bob Atkinson, Josephine Simmons, and Scott Bergmann of the Common Carrier Bureau and Darius Withers of the Enforcement Bureau to discuss the problem of IXC's lack of access to effective and reasonably-priced billing and collection services for non-subscribed services. As we stated at the meeting, and as discussed in more detail in Section I below, the Commission should set forth a transitional, narrowly-tailored non-discrimination safeguard stating that a LEC may not treat unaffiliated entities any differently than they treat themselves or their affiliates in the provision of billing and collection services. As we also discussed at the meeting, and as described in Section II below, MCI WorldCom supports the creation of a neutral third-party PIC administrator to facilitate billing and collection for all telecommunications services.<sup>1</sup>

**I. The Commission Should Create a Non-discrimination Safeguard**

The lack of competition in the billing and collection market is as true today as it was when MCI filed a Petition for Rulemaking in 1997 requesting that the Commission establish a transitional, non-discrimination rule to ensure that LECs offer to IXCs billing and collection services for non-subscribed services on the same terms and conditions as the LECs provide to themselves and to their affiliates.<sup>2</sup> Alternatively, or in addition to such a rule, the Commission should stand ready to take enforcement action against carriers that engage in discriminatory treatment in the provision of billing and collection services. The lack of competition in the provision of billing and collection services forces IXCs to continue to rely on ILEC-provided billing and collection services that are

<sup>1</sup> We note that such an administrator would be separate and distinct from the third-party administrator proposed by MCI WorldCom to investigate and resolve slamming complaints.

<sup>2</sup> See In the Matter of MCI Telecommunications Corporation, Billing and Collection Services Provided by Local Exchange Carriers for Non-Subscribed Interexchange Carriers, Petition for Rulemaking, RM-9108, May 19, 1997.

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vastly overpriced and frequently offered on wholly unreasonable terms and conditions. MCI WorldCom data shows that there has been a combined 72-percent increase in billing and collection costs for non-subscribed services, by the Bell Operating Companies and GTE, from the first quarter of 1997 through the third quarter of 1999. It should be noted, too, that many of the contracts with these entities were not renegotiated under that period, and so the lower rates included in older contracts drive down the actual impact of the cost increases. If one were to assume an inflation rate of 4-percent consistent throughout that period, there should have been only a 12-percent increase. Clearly, a 72-percent increase is far from cost-based. And there is every reason to believe that this percentage will only increase as MCI WorldCom is forced to renegotiate five of its Bell Operating Company billing and collection agreements during 2000, as there has never been a price decrease on casual billing costs in a renegotiated contract.<sup>3</sup> These cost increases should be viewed as an obvious attempt by the Bell Operating Companies to secure a competitive advantage as they begin to enter the long-distance marketplace. They charge these exorbitant rates because they can, since there is no realistic alternative to billing non-subscribed services. Eventually, the cost will become high enough that it is not cost-justified for an IXC to continue a billing relationship. The IXC is forced off the combined bill, and the Bell Operating Company gains the competitive advantage of combined billing.

The Commission should be aware that these anti-competitive moves by the Bell Operating Companies have resulted in, and will continue to result in, reducing consumer-access to the non-subscribed services upon which they increasingly rely. Without billing and collection services offered at reasonable prices and on fair conditions, providers of non-subscribed services will be less inclined to offer these services at all to consumers, harming universal service and competition, or will be forced to charge higher prices for these services in order to recover the LEC-imposed cost of billing and collection. Furthermore, with the Bell Operating Companies closer than ever before to gaining entry into the long-distance market, it is imperative that the Commission act pursuant to Section 272 of the Telecommunications Act to ensure that these companies do not discriminate against unaffiliated providers of non-subscribed services in the provision of billing and collection services.

In addition to these anti-competitive actions by the Bell Operating Companies, many CLECs refuse to provide to MCI WorldCom billing name and address information on reasonable terms and conditions. The Commission should be aware that MCI WorldCom today blocks traffic from nearly 500 competitive local exchange carriers that refuse to provide this information.

MCI WorldCom would like to emphasize that its recommendation that the Commission create a transitional, non-discrimination safeguard for billing and collection of non-subscribed services will not amount to the re-regulation of billing and collection. Rather, it merely would act as a transitional mechanism until the billing and collection

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<sup>3</sup> We also note that several Bell Operating Companies are now insisting on only one-year terms in billing and collection agreements, resulting in annual price increases.

market for non-subscribed services is competitive or until an industry-sponsored solution, as described below, is operational.

## **II. MCI WorldCom Supports the Creation of a Third-Party Administrator**

The success of local competition requires a centralized, neutral third-party to provide information and administer preferred carrier changes. Without such a third-party, it is inevitable that those service providers, the incumbent local exchange carriers, with superior access to customer information based on their status as monopoly providers, will exploit their information advantage to the detriment of competition in all markets.

MCI WorldCom supports establishment of a line-level database to identify the local service provider associated with a particular telephone number. Number portability, resale of local exchange services, and the provision of local exchange service through the use of unbundled network elements make it difficult or impossible to identify a telephone number's local service provider. This database service should be provided by a neutral third-party that is not associated with any segment of the telecommunications industry. MCI WorldCom does not support use of a database such as LIDB for this purpose, since LIDB is owned by a particular industry segment. Moreover, because initial LIDB demand was significantly under-estimated, LIDB queries are priced substantially above cost.

All segments of the industry, including the Bell Operating Companies, must be required to contribute to the database. Participation cannot be voluntary, as the Bell Operating Companies have no incentive to place their long-held proprietary customer information into this database.

The neutral database provider should perform other third-party functions in addition to local service provider identification. For example, the neutral database provider could also perform the following functions: third party preferred carrier administration to process all requests by end users to select or change local or interexchange service providers (including both interLATA and intraLATA toll); provide information on existing preferred carrier freezes for all end users; provide to end users a list of local carriers available to serve their address; provide information and reporting on the status of preferred carrier change requests; provide billing name and address information for the end user associated with each telephone number to facilitate billing for all services.

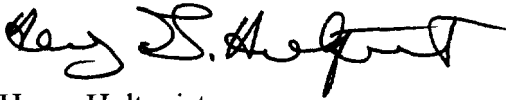
Establishment of neutral third-party administration for these services is not a solution that can be implemented immediately. It will require the initiation and completion of a bidding process, as well as the establishment of rules to govern the actions of service providers and the third-party administrator. In the meantime, the Commission must ensure that all carriers provide billing name and address information on reasonable terms and conditions. Today, MCI WorldCom blocks traffic from nearly

500 competitive local exchange carriers that refuse to provide this information. Local competition should not mean that customers lose access to interexchange services. The Commission should strongly remind all carriers of their duty to provide billing name and address information. The Commission should also establish model guidelines to identify reasonable terms and conditions for the provision of billing name and address information.

Sincerely,



Lori Wright  
Senior Manager, Regulatory Affairs



Henry Hultquist  
Regulatory Counsel

CC: Larry Strickling  
Bob Atkinson  
Darius Withers  
Scott Bergmann  
Josephine Simmons